

DUTY ON U. S. AUTOS HARD ON BRITONS

English Dealers Say High Figure Is a Threat to Their Business.

DOUBT EFFICACY OF TAX

Special Correspondence to THE SUN.
LONDON, Sept. 30.—Of the many protests raised against the new taxes outlined in Mr. McKenna's budget, none is stronger than that which has followed the announcement of a 75 to 100 per cent tax on imported automobiles. American cars are affected almost exclusively, because of the high price of French cars are no longer in demand. Cheap American automobiles are sold here in huge quantities both for pleasure and commercial uses.

The Motor Trade Association, which is one of the strongest organizations of automobile owners in the world, has

The chief argument advanced by the opponents of the Tax Association is that a great British industry is threatened with extinction by the new taxation. It is pointed out that \$80,000,000 of British capital and the means of production are employed in the United States. British subjects are placed in jeopardy inasmuch as the mainstay of the foreign automobile trade just now is the sale of imported cars. The Chancellor

the new taxation is the conservation of
billion in the country is ascribed to the

Three Arguments for Tax.

The Chancellor gave three reasons for his present strict import policy: (1) to protect the American automobile owners, who assert that at the present rate of exchange the American manufacturers prefer to leave the market open to Japanese; The Motor Trade Association advocates a reduction of the tax to 15 per cent.

Dealing with the first point, the association shows that the restriction of imports is palpably detrimental to the conservation of bullion. On the Chancellor's own figures the money alleged to go out of this country yearly would be \$1,250,000,000. The money alleged to come in would be \$1,250,000,000. Obviously, however, since 33-1-3 per cent duty is imposed the sale of imported cars must drop considerably. Assuming a drop of 25 per cent, a drop of 40 per cent, as given as the probable drop in the sales by the leading agents is approximately accurate, the estimated export of bullion on imported cars has been overestimated.

Now comes another surprise. Apparently the whole question of the rate of bullion has been overlooked. Yesterday, the actual fact is that this estimated ten millions is largely an exaggeration. As the rate of exchange has improved, the rate of export has fallen. A little time it suits some of the American manufacturers better to leave their money in this country.

As to the second point, the reference to the Motor Trade Association's hypothetical \$10,000,000 considerable more than \$2,000,000 belonging to American manufacturers.

...and has been for some months—appearing in British banks. Not only that, but sums totalling more than six figures are being sent this American money have been found already specially earmarked for the next British war loan. When the rate of exchange is normal these American firms may of course demand the remittance of their money.

The third and last point arrived at by the Chancellor is the *assessable* revenue. It is held to be obvious that a larger revenue would accrue from a more moderate tax. On the assumption that that is not clear the Motor Trade Association submits the following epitome of its argument. As

Premise assume for the moment that the figures as to loss of car sales under the two alternative tariffs of 33.1-34 per cent and 15 per cent, as obtained from the average of the two possible importation figures, is roughly accurate. Certainly it would be near the mark. The losses are calculated as respectively 40 per cent and about 5 per cent, under present conditions. As a complementary premise assume an even slightly larger sale of imports than that anticipated by the Chancellor, so as to make the figures all the more rounded figures. Take then a rate of sale of imported cars equal to 32,000—year retail prices. Suppose the year represents 25,000 cars at an average price of \$1,000 a car, not far removed from

The Chancellery expects a 20 per cent. ad valorem duty to bring in £100 million. The consensus of opinion among British economists is that the duty, based on its average rate, should be reduced to 10 per cent. duty by 40 per cent. There are, therefore, the Chancellery's estimates of the revenue would in practice only be £14 million.

There is, therefore, a direct loss of revenue, negative income, that is, a substantial loss of income to the Government of a great deal on 10 per cent. 25,000 cars of, say, £7,000 per car, or £175,000,000. The Government would have to raise a negative income of £175,000,000. That is, a negative income of £175,000,000. That is, a negative income of £175,000,000.

There is also a correlative increase in income. The Government would have to raise the following examples of the increase of 20 per cent. of the average car price, that is to say, £40,000 per car.

Where Britain Would Lose.
Freightage in English ships, insurance by English underwriters, discounts to English wholesale exporters, discounts to English retailers, warehousemen, dock laborers and barge-men's wages.

purchase of English tires, \$400,000. This equals a loss to British, total of \$8,200,000 and a direct income to the Chancellor of \$740,000. The Chancellor's direct losses are \$1,200,000 less \$740,000 added to \$460,000.

He has, therefore, a substantial, reliable net revenue from the tires of 33.3 per cent. ad valorem of \$1,060,000, against which the total cost of the financial magnitude of some \$500,000,000 is jeopardized by some 30,000 employees endangered as to their means of livelihood.